TD/B/41(1)/8
TD/B/CN.4/38

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Report of the Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries - Insurance on its second session

held at the Palais des Nations, Geneva
from 4 to 8 July 1994

UNITED NATIONS

UNITED
NATIONS

TD

United Nations Conference
on Trade and Development

Distr.
GENERAL

TD/B/41(1)/8
TD/B/CN.4/38
9 August 1994

Original: ENGLISH

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GE.94-53205 (E)

CONTENTS

Chapter		Paragraphs
	Introduction	1 - 13
I.	Review of developments in the insurance market Review of progress made on the work programme Consideration of specific items of the work programme .	14 - 49
II.	Organizational matters	50 - 55

Annexes

I.	Recommendations adopted by the Standing Committee at its second session
II.	Provisional agenda for the third session of the Standing Committee
III.	Attendance
IV.	Checklist of documents

INTRODUCTION

1. The Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries: Insurance, held its second session at the Palais des Nations, Geneva, from 4 to 8 July 1994.

2. In the course of its session, the Standing Committee held three formal plenary meetings (6th-8th plenary meetings) and nine informal meetings.

Opening statements

3. The **Chairman** said that the heterogeneous composition of the Standing Committee, incorporating representatives of government, regulatory authorities and business, would contribute to the outcome of the Committee's second session on insurance. The task of the meeting was to determine future action on issues on the agenda and on the work programme of the Committee.

4. Since risk was an inevitable part of all human endeavours, insurance, as a risk transfer mechanism, was indispensable for full-fledged socio-economic activity. Lack of insurance led to stunted growth rates and slow development.

5. The insurance sector was undergoing change in many developing countries, prompted by liberalization and privatization reform programmes. Without appropriate regulatory reforms, however, the benefits of liberalization could be lost. He drew attention to the largely unexplored sector of agricultural insurance and its potential for expanding insurance, while also bringing greater stability to the rural economy. He also expected heated debate on insurance for natural disasters and other catastrophes.

6. The **Officer-in-Charge of UNCTAD** said that insurance was an important factor when discussing and determining policy in respect of international trade in services, long-term development and environment matters. While the insurance industry in developing countries had shown resilience in the past, it could not afford not to explore other clienteles and markets, in particular in the rural and agricultural sector.

7. Economic reforms based on privatization and liberalization were affecting the insurance sector in developing countries, and while these changes would inevitably mean more dynamic insurance markets with better development prospects, they would also require improvements in each country's insurance regulation and supervision. Developing countries had to decide whether a privatized and liberalized insurance market would continue to fulfil a number of social objectives, besides providing insurance services.

8. Catastrophic losses caused by the perils of the natural environment could impede the development prospects of a whole country. The Committee must provide policy direction on how to remedy the low prevalence of catastrophe insurance in developing countries. Still in the field of environment, he drew attention to the possibility of using environmental impairment liability insurance to internalize environmental costs. In concluding, he said that the goal of the session was to focus the Committee's work for the period up to the next session.

9. The **Chief of the Insurance Programme** said that the conclusion of the Uruguay Round had placed insurance firmly on the international agenda and that this presented an opportunity for the role of insurance and its contribution to development to be more widely acknowledged.

10. Since 1970, the number of catastrophes had continued to rise, compelling Governments to step up efforts to plan for the protection of their citizens and national assets. It was natural that they turn to their insurers to solicit their collaboration. While numerous arrangements were under consideration, in which both private insurers and the Government cooperated, such as disaster funds and pools, it seemed that nowhere had a fully satisfactory answer as yet been found. The insurance sector should be ready to make a major intellectual input into the search for solutions. This might be the greatest challenge it was facing in today's world and one of the most significant contributions which it could make to development at this point in time. The international community could not remain indifferent to the threat posed to vulnerable societies by catastrophic events. The Committee, which brought together government representatives, insurance regulators and commercial insurers, might provide opportunities for brainstorming on possible courses of action, benefiting from the insurance sector's rich knowledge and long experience in dealing with catastrophes.

11. The liberalization and globalization of insurance held promises and challenges for all markets, but in developing countries Governments had to strike a balance between the legitimate expectations of their producers and consumers in terms of efficient and affordable services and the long-term interests of the country in terms of a viable domestic insurance industry.

12. The area of agricultural insurance, which had important development dimensions, provided potential for developing countries' insurers to expand their operations in an area where they enjoyed a domestic advantage over foreign competitors.

13. Finally, privatization and liberalization depended on a congruent framework of rules ensuring that competitive forces operated with fairness and to the benefit of all members of society. Adapting the insurance regulatory framework to the new conditions was insufficient without strong institutions for enforcement.

Chapter I

REVIEW OF DEVELOPMENTS IN THE INSURANCE MARKET

REVIEW OF PROGRESS MADE ON THE WORK PROGRAMME

CONSIDERATION OF SPECIFIC ITEMS OF THE WORK PROGRAMME

(Agenda items 3, 4 and 5)

General statements

14. The representative of **India** said that the new economic environment had contributed to a reappraisal of policy frameworks and had had a significant impact on insurance, in particular through liberalization and the consequent internationalization of trade in services. The implementation of such reforms required the evolution of a broad national consensus, and differences between several interest groups had to be reconciled.

15. As 70 per cent of India's population lived in rural areas, agricultural and rural insurance was of great importance. Experience in India indicated that certain covers were commercially viable and showed potential, while others consistently produced losses. Improving existing schemes required sharing experience in techniques and strategies with developing countries.

16. Another important issue was the development of human resources, and in that connection he offered his country's insurance training facilities to all developing member countries.

17. Concerning regulation and supervision, without reforms in the regulatory mechanism, the benefit of liberalization could be lost. Assistance in such reforms should be organized within a multilateral framework and should encompass support for developing countries in drafting legislation and setting up and strengthening insurance authorities.

18. The spokesman for the **European Union** (Germany) said that the main task of the Standing Committee was to analyse prospects for developing and strengthening the insurance sectors of developing countries and enhancing their trade in this field and that the countries of the European Union were fully determined to contribute to this process in the spirit of Cartagena.

19. Agricultural insurance in developing countries, a "largely untried" area, deserved special attention for the obvious reason that in most developing countries uninsured farmers were the backbone of the economy but also an element of potentially great instability, and they were mostly denied access to credit facilities except on usury terms. Awareness-building thus had to be complemented by capacity-building. The UNCTAD secretariat had rightly pointed out that cooperative organizations could play a much larger role here. Cooperatives had traditionally had a very important role to play in agricultural modernization, and numerous cooperation projects with developing countries existed at the grass-roots level. The member States of the European Union were committed to strengthening and integrating technical assistance in UNCTAD's work, as called for in the Cartagena Commitment.

20. Insurance for large risks in developing countries held enormous potential for the future and dovetailed with efforts aimed at risk prevention and raising of safety standards. UNCTAD was a member of the Steering Committee of the International Decade on Natural Disaster Reduction, which had been launched in 1989 and where large reinsurance companies played an important part. He felt that the subject of alternative mechanisms for large risks, environmental impairments and catastrophes deserved still greater attention by UNCTAD. While recognizing budgetary constraints, the European Union would like to see more of UNCTAD's work concentrating on this cross-cutting issue, which appeared to be closely linked to sustainable development. The European Union had always stressed the important role UNCTAD could and should play within the framework of Agenda 21, and the UNCTAD secretariat was encouraged to explore this new and challenging field further. The proposal to provide more country-specific research, as outlined in document TD/B/CN.4/31, was expected to find support from the European Union.

21. The representative of the **Commission of the European Union** said that the statistical review for 1983-1990 (UNCTAD/SDD/INS/5) filled an important gap, as other such surveys excluded some 50 countries, many of which were amongst the poorest and were not included in other data sources. The review of developments for 1989-1993 (UNCTAD/SDD/INS/2/Rev.1) was an important source of information, and its publication should be continued. The document on regulations and supervision (UNCTAD/SDD/INS/6) showed clearly what had to be done by a regulator's department to achieve the most efficient market conditions and ensure policy-holder protection.

22. One of the most important documents prepared by the secretariat related to privatization and liberalization (UNCTAD/SDD/INS/3/Rev.1). Certain countries of the European Union had had experience with privatization and the dismantling of State monopolies, and the European Union was providing technical assistance in this area to countries in Central and Eastern Europe and countries of the former Soviet Union via the two programmes PHARE and TACIS. The experience gained confirmed that a market would only be free and secure for both companies and policy-holders if it was well regulated. Freedom of access ensured that risks could be well spread and allowed local markets to benefit from the strength and expertise of international insurers.

23. The extent to which liberalization could be pursued might be limited by the degree of each country's development. The European Union supported the suggestion to organize a three-day seminar for developing countries before the third meeting of the Standing Committee (TD/B/CN.4/31, para. 20).

24. The important work completed on agricultural insurance (UNCTAD/B/CN.4/30) included some new and interesting ideas. For the technical assistance projects which it was hoped to launch, a pragmatic approach was recommended.

25. With regard to documentation, he felt that it was important for the documents of the Standing Committee to be adequately distributed to insurers in developing countries, Ministries of Finance and professional associations.

26. Finally, he repeated his observation of February 1993 that the human and financial resources of the insurance programme were insufficient to complete the tasks assigned to it within a three-year period.

27. The spokesperson for the **Asian Group** (Singapore), referring to agenda item 3, said that, in recent years, a number of Asian countries had paid a heavy toll in terms of natural catastrophes, with much of the damage uninsured. National and international reinsurers should help exposed countries to put into place suitable arrangements for catastrophe insurance. The Standing Committee was a suitable place for such analyses and exchanges of views and experience in that connection.

28. On agenda item 4, regarding privatization and liberalization of the insurance sector, it had to be recognized that the sector had a special social role which many foreign insurers would not undertake, and that the need to develop a domestic insurance sector had to be taken into account. The General Agreement on Trade in Services recognized the need to strengthen domestic services capacity and efficiency in developing countries, and also stated that a country was not to be prevented from taking regulatory measures for prudential reasons to secure the stability of its financial and insurance system. Government had to create or maintain an economic environment that stimulated growth of the insurance industry and conditions for local insurers that equalled those of their competitors.

29. On insurance regulation and supervision, many Asian countries were pursuing privatization and liberalization policies, but the benefits of such policies might not be realized without clear regulations and effective supervision. The Asian Group was therefore supportive of studies that facilitated the adaptation of regulatory and supervisory systems to new market realities.

30. On agenda item 5, in relation to agricultural insurance, the Asian Group agreed that the agricultural production sector should no longer be accorded low priority by insurers. Well devised agricultural insurance policies enabled farmers to take more risks, adopt better technology and use high-quality inputs because they were compensated if events beyond their control occurred. The connection between insurance and rural credit was also very important. In many Asian countries insurance was already requested by rural credit institutions when granting loans to farmers. The insurance and banking sectors were urged to cooperate and to increase the benefits of their services to rural societies.

31. The Asian Group appealed to international and national donors to support technical cooperation in respect of the development and introduction of viable agricultural insurance schemes in developing countries and in particular in the least developed countries. The acquired experience of developing as well as of developed countries should be looked at more closely in follow-up work.

32. The representative of **Romania** said that the insurance market of his country had recently been liberalized. At present, there were 23 private and joint-venture companies servicing the Romanian market. He also announced the establishment of the National Union of Insurance and Reinsurance Companies of Romania, constituted on 20 June 1994 by 13 companies. The main objective of the Union was to collaborate and maintain permanent contacts with national and international bodies active in the area of insurance.

Informal meetings

33. At its second plenary meeting of the second session, on 4 July 1994, the Standing Committee decided to pursue its consideration of agenda items 3, 4 and 5 in informal meetings.

Proceedings of the closing plenary meeting

34. At the Standing Committee's 8th (closing) plenary meeting, on 8 July 1994, the **Chairman** presented draft recommendations of the Standing Committee, as agreed at the informal meetings (TD/B/CN.4/L.9).

35. The representative of **India** said that he wished to emphasize the importance of life insurance and the need to provide assistance and support to developing countries to help life insurance retain its position as a prime instrument of savings in national economies. When markets were opened up, a number of financial instruments were introduced by domestic and/or overseas players and these sought to channel substantial savings into short-term and medium-term instruments, as opposed to the long-term savings that life insurance traditionally provided to national markets. Life insurance encouraged savings on a regular and controlled basis free from the risk of speculation. Studies on life insurance should therefore form part of the action plan of the Standing Committee. It was true that studies on life insurance had already been carried out in the past, but they were now 10 years old. The least that should be done was to update them and circulate them to member countries well before the Standing Committee's next session.

36. The representatives of **Nigeria**, **Indonesia** and **Algeria** expressed support for the suggestion made by India.

37. The representative of **Sri Lanka** expressed support for the suggestion made by India and pointed out that his country had a successful scheme for farmers which could be studied with a view to its possible implementation in other developing countries.

38. The representative of the **Russian Federation** expressed support for the suggestion made by India to update the life insurance studies and suggested that the scope of the studies could be expanded to cover other countries. With regard to liberalization and privatization of insurance markets, some countries in transition had achieved significant progress in that area, and in that connection it would be useful if the proposed three-day seminar (TD/B/CN.4/31, para. 20) could be extended in scope to cover countries in transition.

39. The spokesman for the **European Union** (Germany) said that, on the question of privatization and liberalization in insurance, the States members of the European Union wished to express a reservation with regard to document TD/B/CN.4/31, chapter II, section (ii), pending the issuance of the revised version of the secretariat's report on privatization and liberalization (UNCTAD/SDD/INS/3/Rev.1).

40. The representative of the **United States of America** said that his country wished to express the same reservation as the European Union.

41. The **Standing Committee** took note of the statements made and adopted its draft recommendations (TD/B/CN.4/L.9). (For the text of the recommendations, see annex I.)

Closing statements

42. The spokesman for the **European Union** (Germany) said that the Standing Committee's session had been productive and would help enhance cooperation in the fast-emerging insurance markets in developing countries. Insurance was a critical issue for developing countries and countries in transition.

43. The representative of **Finland** said that the session had been useful for both developed and developing countries. The developing countries needed a great deal of information and assistance to set up insurance industries and establish regulatory and supervisory systems of their own. The studies prepared by the UNCTAD secretariat represented a good contribution in that connection.

44. The representative of the **United States of America** said that the sessions of the Standing Committee served a useful function by bringing insurance experts together, but it must be asked whether the results of the sessions justified the costs involved. Part of the problem might lie in the process followed in the Committee, and consideration should be given to ways of improving that process.

45. The representative of the **Russian Federation** said that insurance was becoming an increasingly important topic of discussion among countries within the framework of the Uruguay Round. The possibility of exchanging views on insurance questions in the context of international trade and in the context of the development of national financial sectors and economies as a whole therefore represented a unique opportunity. As a result, UNCTAD meetings on insurance could only increase in importance in the future.

46. The **Deputy Director of the Services Development and Trade Efficiency Division** said that while differences in the perception of certain questions had occasionally surfaced during the Standing Committee's discussions, there had been a significant degree of consensus on most issues. This spoke positively of the spirit of cooperation in the Standing Committee and confirmed the relevance of the UNCTAD secretariat's work.

47. As had emerged from the Committee's discussions, the future work of the Standing Committee in the area of agricultural insurance should focus on the promotion of technical cooperation in sectors that permitted commercially viable agricultural and rural insurance schemes. The issues of prudential regulation and supervision and those of privatization and liberalization reforms were closely linked. The strong interest manifested in the subject of catastrophe insurance demonstrated a clear need for the presentation and exchange of experience among all member countries.

48. The substantive focus of the Standing Committee's third session should be supplemented by the pursuit of recommendations relating to creditor insurance, as well as the issue of environmental impairment liability insura in the context of the needs of developing countries. The secretariat would do its utmost to meet the expectations of the Committee within available resources.

49. The **Chairman** said that the Standing Committee represented an important forum in the field of insurance. Members of the Committee had demonstrated a capacity for dialogue reflecting a determination to work together for the good of their peoples. The successful results of the Standing Committee's work had been made possible by the efficiency and cooperation of all concerned.

Chapter II

ORGANIZATIONAL MATTERS

A. Opening of the session

50. The second session of the Standing Committee on Developing Services Sectors: Insurance was opened by Mr. S.V. Mony (India), Chairman of the Standing Committee at its first session.

B. Election of Officers
(Agenda item 1)

51. At the opening plenary meeting of its second session, on 4 July 1994, the Standing Committee elected its bureau as follows:

Chairman:	Mr. Fernando Jaime Moscoso Salmon	(Bolivia)
Vice-Chairmen:	Mrs. Kirsten Mandrup	(Denmark)
	Mr. Jorma Heikkilä	(Finland)
	Mr. Hermes Silva Nobre	(Uruguay)
	Mr. Wyoso Prodjowarsito	(Indonesia)
	Mrs. Capitolina Tourbina	(Russian Federation)
Rapporteur:	Mr. Sikiru Ogunsola	(Nigeria)

C. Adoption of the agenda and organization of work
(Agenda item 2)

52. At the Standing Committee's opening plenary meeting, on 4 July 1994, the **Chairman** drew the Committee's attention to the fact that, in the conclusions adopted at the resumed second part of its fortieth session on the mid-term review and evaluation of work programmes, the Trade and Development Board had requested intergovernmental bodies to have more focused mandates, as well as more realistic and achievable objectives, and to adhere strictly to existing guidelines on agendas and documentation. Hence, each agenda should be limited to two substantive items and one item on the review of activities pertaining to the work programme.

53. The Standing Committee then adopted its provisional agenda (TD/B/CN.4/29), as follows:

1. Election of officers

2. Adoption of the agenda and organization of work

3. Review of developments in the insurance market

4. Review of progress made on the work programme

5. Consideration of specific items of the work programme:

   (a) Review on critical areas with regard to insurance legislation, regulation and supervision (see item B.1.(a) of the work programme)

(b) Privatization and liberalization in insurance

(c) Expanding the insurance sector in agriculture and rural insurance

(d) Exchange of experiences on creditor insurance

(e) Reinsurance (see items B.1.(c) and B.2. of the work programme)

6. Provisional agenda for the third session of the Standing Committee, Insurance

7. Other business

8. Adoption of the report of the Standing Committee, Insurance, to the Trade and Development Board.

D. Provisional agenda for the third session of the Standing Committee, Insurance

(Agenda item 6)

54. At its 8th (closing) plenary meeting, on 8 July 1994, the Standing Committee approved the draft provisional agenda for its third session (TD/B/CN.4/L.10), as follows:

1. Election of officers

2. Adoption of the agenda and organization of work

3. Review of critical areas with regard to insurance legislation regulation and supervision

4. Problems faced by developing countries and countries in transition in the area of insurance against catastrophe perils

5. Review of progress made on the work programme

6. Provisional agenda for the provisional fourth session of the Standing Committee, insurance

7. Other business

8. Adoption of the report of the Standing Committee, Insurance, to the Trade and Development Board.

E. Adoption of the report of the Standing Committee, Insurance, to the Trade and Development Board

(Agenda item 8)

55. At its 8th (closing) plenary meeting, on 8 July 1994, the Standing Committee adopted its draft report, (TD/B/CN.4/L.8), subject to changes that might be received from delegations, and authorized the Rapporteur to complete the text to reflect the proceedings of the closing plenary.

Annex I

RECOMMENDATIONS ADOPTED BY THE STANDING COMMITTEE AT ITS SECOND SESSION

1. After fruitful discussion and a wide exchange of experiences, the Standing Committee (Insurance) expresses its appreciation concerning the quality of the studies presented by the UNCTAD secretariat on the agenda items and recommends their wide dissemination. In accordance with the work programme, the Standing Committee agrees on the following:

A. Promoting transparency

2. In order to facilitate further deliberations and work, the Standing Committee requests the UNCTAD secretariat to continue to prepare on an ongoing basis:

- A statistical survey; and

- A review of developments on insurance and reinsurance operations in developing countries and countries in transition.

B. Fostering competitive insurance services

3. The Standing Committee requests member countries to make available to the secretariat comments on the study on privatization and liberalization at their earliest convenience in order that they may be reflected in the revised version. The Standing Committee requests that the revised version be made available in all the languages.

4. In view of the immediate relevance and recognizing the importance for developing countries and countries in transition in the process of liberalizing and privatizing their insurance markets of establishing effective regulatory and supervisory systems, the Standing Committee agrees to give high priority to this area in its future work. It therefore requests the UNCTAD secretariat to prepare a study particularly focusing on prudential regulation and insurance consumer protection. To promote exchange of views in this matter, the Standing Committee requests the secretariat to arrange a meeting open to the participation of all countries, in particular developing countries and countries in transition, to discuss their experience in liberalization and privatization of insurance markets.

5. The Standing Committee, aware of limitations in available resources and time constraints, suggests that the secretariat investigate ways and means to develop creditor insurance (i.e. default in the repayment of a loan in respect of certain defined contingencies) for the benefit of small- and medium-size enterprises in developing countries and encourages an exchange on this issue.

Catastrophe insurance

6. The Standing Committee affirms that the study of catastrophes, environmental impairment and large risks should be continued and that the secretariat should make itself aware of and participate fully in the consideration being given to this matter in other forums.

7. The Standing Committee agrees with the views expressed in the UNCTAD secretariat's study that a significant contributing factor to the less than adequate levels of catastrophe insurance cover available in many developing countries may be the absence of adequate information on aggregate exposures both in respect of assets at risk and perils capable of causing catastrophes.

8. On problems faced by developing countries and countries in transition in the area of insurance against catastrophe perils, the secretariat may:

(a) Prepare a compilation and analysis of existing catastrophe insurance schemes based on information provided by member countries;

(b) Assist countries in collecting comprehensive data on catastrophe (insured) exposures in each country preceded by a preliminary test survey in 10 countries with a view to collating them and enabling insurers and reinsurers to have a better understanding of the problems.

Environmental impairment

9. The Standing Committee recognizes the need for an exploratory study on the role of insurance relating to environmental impairment. The Standing Committee is of the view that such a study should pay attention to the risk management aspect and damage limitation and take into account the fact that economic and social development and poverty eradication are priorities of developing countries.

Agricultural insurance

10. The Standing Committee agrees to the following conclusions concerning agenda item 5 (c), "Expanding the insurance sector in agricultural and rural insurance":

(a) The Standing Committee appreciates the contribution to the subject made by the secretariat through the synthesis of the different aspects of agricultural and rural insurance. The Committee agrees that work on agricultural and rural insurance should be pursued. In this context, a background note should be prepared which examines experiences and initiatives of countries in this field, with particular emphasis on the financial implications of agricultural insurance;

(b) It is the Committee's view that the UNCTAD secretariat's studies on this issue should be followed up through the implementation of technical cooperation programmes. Such programmes should address a particular country's needs in terms of specific agricultural risks.

C. Strengthening technical cooperation and human resources development

11. The Standing Committee requests the UNCTAD secretariat to examine the possibilities of expanding existing or establishing new training programmes, including agricultural insurance, insurance regulation and supervision, and life insurance. In view of the importance of insurance to the development process, the Standing Committee would greatly appreciate support by potential donors as a matter of priority to support such projects.

Annex II

PROVISIONAL AGENDA FOR THE THIRD SESSION OF THE STANDING COMMITTEE

1. Election of officers

2. Adoption of the agenda and organization of work

3. Review of critical areas with regard to insurance legislation, regulation and supervision

4. Problems faced by developing countries and countries in transition in the area of insurance against catastrophe perils

5. Review of progress made on the work programme

6. Provisional agenda for the provisional fourth session of the Standing Committee, Insurance

7. Other business

8. Adoption of the report of the Standing Committee, Insurance, to the Trade and Development Board.

Annex III

ATTENDANCE 1/

1. The following States members of UNCTAD were represented at the session:

Algeria
Argentina
Austria
Bangladesh
Bolivia
China
Côte d'Ivoire
Cuba
Democratic People's Republic of Korea
Denmark
Egypt
Finland
France
Germany
Ghana
Greece
India
Indonesia
Iraq
Ireland
Israel
Italy
Jamaica
Japan
Kenya
Lebanon
Lesotho
Libyan Arab Jamahiriya
Malaysia
Malta
Mexico
Morocco
Nepal
Netherlands
Nigeria
Pakistan
Paraguay
Philippines
Republic of Korea
Romania
Russian Federation
Saudi Arabia
Senegal
Seychelles
Spain
Sri Lanka
Sweden
Switzerland
Thailand
Trinidad and Tobago
Tunisia
Turkey
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
United States of America
Uruguay
Venezuela
Zambia
Zimbabwe

2. The following other States members of UNCTAD were represented as observers at the session:

Madagascar
Portugal
Singapore
Uganda

3. The following specialized and related agencies were represented at the session:

The International Monetary Fund

The General Agreement on Tariffs and Trade was also represented.

1/ For the list of participants, see TD/B/CN.4/INF.5.

4. The following intergovernmental organizations were represented at the session:

European Community
League of Arab States
Organisation for Economic Cooperation and Development
Organization of African Unity

5. The following non-governmental organizations were represented at the session:

General Category

International Cooperative Alliance
International Chamber of Commerce
Women's International League for Peace and Freedom
World Federation of United Nations Associations

Special Category

European Insurance Committee

6. The following panellist participated in the session:

Professor A. Goenka, Singapore

Annex IV

CHECKLIST OF DOCUMENTS

Symbol	Title	Agenda item
	Sessional documentation	
TD/B/CN.4/30	Issues of agricultural insurance in developing countries	5 (c)
TD/B/CN.4/31	Review of activities of the secretariat pertaining to the work programme: report by the UNCTAD secretariat	4
TD/B/CN.4/32	Alternatives for insurance of catastrophes, environmental impairments and large risks in developing countries: study by the UNCTAD secretariat	3
	Background documentation	
UNCTAD/SDD/INS/1/Rev.1	Agricultural insurance in developing countries: study by the UNCTAD secretariat	5 (c)
UNCTAD/SDD/INS/2/Rev.1	Insurance in developing countries: an assessment and review of developments (1989-1993): report by the UNCTAD secretariat	3
UNCTAD/SDD/INS/3/Rev.1	Insurance in developing countries: privatization of insurance enterprises and liberalization of insurance markets: report by the UNCTAD secretariat	5 (b)
UNCTAD/SDD/INS/4	Report of the Group of Experts on Agricultural Insurance in Developing Countries	5 (c)
UNCTAD/SDD/INS/5	Statistical survey on insurance and reinsurance operations in developing countries 1983-1990	3
UNCTAD/SDD/INS/6	Issues of insurance regulation and supervision relevant for developing countries: background note by the UNCTAD secretariat	5 (a)

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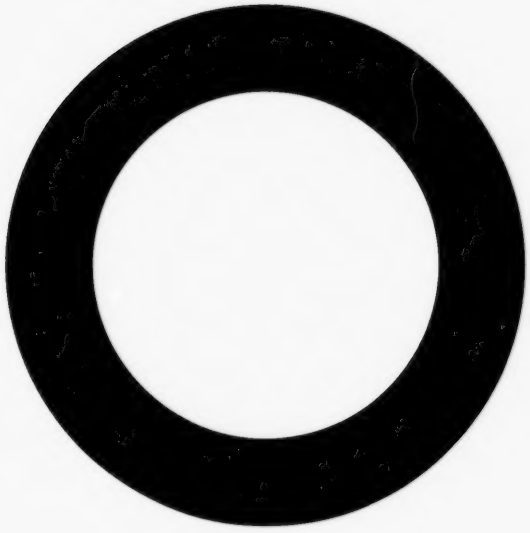
Printed at United Nations, Geneva
GE.94-53205 – August 1994 – 3,430

United Nations publication



TD/B/41(1)/9
TD/B/CN.4/39

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Report of the Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries - Shipping on its second session

held at the Palais des Nations, Geneva,
from 11 to 15 July 1994

UNITED NATIONS

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United Nations Conference
on Trade and Development

Distr.
GENERAL

TD/B/41(1)/9
TD/B/CN.4/39
9 August 1994

Original: ENGLISH

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GE.94-53331 (E)

CONTENTS

Chapter		Paragraphs
	Introduction	1 - 7
I.	Fostering competitive shipping services (impact of progressive liberalization on the development of shipping services) (agenda item 3)	
	Reports of any subsidiary bodies which may have been created (agenda item 4)	
	and	
	Review of activities of the secretariat pertaining to the work programme (agenda item 5)	8 - 57
	- Action by the Standing Committee	42
	- Concluding statements made at the closing plenary meeting	43 - 57
II.	Other business (agenda item 7)	
	- Technical cooperation activities in the shipping sector	58 - 60
III.	Organizational matters	61 - 69
	A. Opening of the session	61
	B. Election of officers (agenda item 1)	62
	C. Adoption of the agenda and organization of work (agenda item 2)	63
	D. Provisional agenda for the third session of the Standing Committee (Shipping) (agenda item 6)	64 - 68
	E. Adoption of the report of the Standing Committee (Shipping) to the Trade and Development Board (agenda item 8)	69

Annexes

I. Recommendations of the Standing Committee on Developing Services Sectors: SHIPPING

II. Provisional agenda for the third session of the Standing Committee on Developing Services Sectors: SHIPPING

III. Membership and attendance

INTRODUCTION

1. The Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries - Shipping, established in accordance with paragraphs 70 and 72 of the Cartagena Commitment, held its second session at the Palais des Nations, Geneva, from 11 to 15 July 1994. In the course of the session, the Standing Committee held five plenary meetings.*

Opening statement

2. The Officer-in-charge of UNCTAD highlighted the particular importance of this session of the Standing Committee at a time when the shipping industries of developed and developing countries were experiencing profound changes that were reflected in operational practices and in policy approaches. Maritime transport remained one of the most important elements in the development of international trade, particularly for developing countries that depended more heavily on interregional trade. Also, shipping was an important element of trade in services, providing an essential mechanism for attaining sustainable development. Gradual relaxation of market access restrictions was probably the most important policy change and challenge facing the shipping industry of many developing countries and countries in transition.

3. For many countries, the decision to liberalize trade in shipping services might pose problems, particularly for those countries that had exercised a strong governmental influence in shipping for several decades. The conflict between liberalism and interventionism in maritime affairs was not always easy to resolve. A number of countries, particularly developing ones, had expressed concern that certain forms of liberalization might be too disruptive and could lead to the disappearance of national shipping. These fears needed to be addressed and, if possible allayed. The answer to such problems, however, could not lie in maintaining traditional restrictive policy approaches. Developing countries and countries in transition that attached importance to the maintenance of a national fleet must be provided with the necessary tools to implement a gradual and phased policy of liberalization and to give the necessary support to the national shipping industry. This approach would enable national fleets to provide competitive services and allow them to play their role as a catalyst of trade.

4. Referring to the importance of multimodal transport in the development of more efficient transport chains and its contribution to a more widespread use of the latest advances in information technology and in corporate decision-making, he emphasized that the development of multimodal transport was often inhibited by the lack of a harmonized international legal environment and of national multimodal transport regulations, and by the use of outmoded documentary procedures and trading terms. Multimodal transport could also make an important contribution to the development of

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* For the terms of reference of the Standing Committee, see Trade and Development Board decision 398 (XXXVIII), annex B.

ecologically-sound transport systems. For example, energy-efficient transport modes of short-sea and coastal shipping, as well as river or lake transport, offered alternatives.

5. As for ports, the expansion and increased pace of world trade would place ports under intense pressure to expand facilities and improve services while reducing costs. The concentration of power in the hands of mega-shippers and carriers was a growing threat to ports, as routing changes could significantly change cargo volumes. Environmental concerns could also affect ports. At its meeting in October 1993, the Intergovernmental Group of Experts on Ports had examined the factors which could contribute to efficient management and sustainable development of ports and related port services, including issues relating to privatization, commercialization and liberalization.

6. On the specific issue of maritime legislation, he said that the adoption of the International Convention on Maritime Liens and Mortgages, 1993, was seen as a significant contribution towards the unification of international maritime law and the improvement of conditions for ship financing. It marked an important step in cooperation between UNCTAD and IMO. A further opportunity for cooperation was envisaged in the reconvening of the Joint UNCTAD/IMO Intergovernmental Group in Geneva in December 1994, following the resolution adopted by the Conference to consider the possible review of the 1952 Convention on Arrest of Ships.

7. Finally, with regard to technical assistance and in particular training and human resource development as tools of development policy, he said that UNCTAD was devoting special attention to the reinforcement of management training capacity and regional cooperation through the TRAINMAR programme. The TRAINMAR network already spread across Africa, Asia and Latin America. The participation of institutions in industrialized countries of Europe had recently been reinforced and steps were being taken to enhance cooperation in various countries of Eastern Europe.

Chapter I

FOSTERING COMPETITIVE SHIPPING SERVICES (IMPACT OF PROGRESSIVE LIBERALIZATION ON THE DEVELOPMENT OF SHIPPING SERVICES)
(Agenda item 3)

REPORTS OF ANY SUBSIDIARY BODIES WHICH MAY HAVE BEEN CREATED
(Agenda item 4)

and

REVIEW OF ACTIVITIES OF THE SECRETARIAT PERTAINING TO THE WORK PROGRAMME
(Agenda item 5)

8. For its consideration of these agenda items, the Standing Committee had before it the following documents:

Item 3

"Progressive liberalization and the development of shipping services in developing countries" - report by the UNCTAD secretariat (TD/B/CN.4/34 and Corr.1).

Item 4

"Report of the Intergovernmental Group of Experts on Ports" (25-29 October 1993) (TD/B/CN.4/28 - TD/B/CN.4/GE.1/4)

"Intergovernmental Group of Experts on Ports" - note by the UNCTAD secretariat (TD/B/CN.4/35).

Item 5

"Review of activities of the secretariat pertaining to the work programme" - progress report by the UNCTAD secretariat (TD/B/CN.4/36).

9. Introducing the documentation on these items, the **Deputy Director of the Services Development and Trade Efficiency Division** said that, under agenda item 3, document TD/B/CN.4/34 outlined the motivation for shipping policy reforms including liberalization in the 1980s and 1990s, gave selected examples of shipping policy reforms in developing countries and analysed possible consequences for service quality and the participation of national carriers. The report was intended to: (i) provide a basis for Governments and other institutions to discuss and make decisions concerning the formulation and implementation of policies fostering competitive shipping services; (ii) present recommendations for institutional reform, including the restructuring of organizations dealing with the promotion of national merchant fleets; and (iii) be a means to implement support for consumers of shipping services. In addition to policy measures, the secretariat made special efforts to assist developing countries to adjust their institutional infrastructure to changing industry and market requirements, since most developing countries were primarily users rather than providers of shipping services. Special attention was paid to the restructuring of shippers'

councils and their conversion from public sector agencies dealing with the implementation of shipping policy to professional associations exclusively dedicated to the protection of shippers' interests.

10. Under agenda item 4, he observed that the Intergovernmental Group of Experts on Ports held in October 1993, with representatives of Governments and industry, had generated concrete, practical and innovative discussions on the efficient management and sustainable development of ports and related port services in order to foster competitive maritime transport services and to strengthen capacities for trade. The conclusions and recommendations of these discussions were set forth in TD/B/CN.4/28. After consideration of the report of the Group of Experts, the Committee would be invited to endorse the recommendations.

11. Turning to the work programme (agenda item 5), he made the following observations:

(a) The annual Review of Maritime Transport, in addition to its global overview, would also include an analysis of specific regional development.

(b) The main thrust of the work programme focused on the competitiveness of developing countries' carriers and their ability to participate effectively in the international shipping sector. To support this objective, UNCTAD proposed to convene in 1995 a shipping industry Forum on Fostering Competitive Maritime Transport Services in Developing Countries. This would provide an opportunity for both shippers and carriers to express their views on the role of developing countries in providing competitive maritime transport services. It was proposed that this Forum be held back-to-back with the next session of the Standing Committee, since this would allow private sector representatives to participate in the Committee and would thus improve the dialogue between the industry, Governments and public institutions.

(c) With the accession of Spain to the United Nations Convention on a Code of Conduct for Liner Conferences, the number of Contracting Parties to the Code now stood at 77. Furthermore, Mr. Yusuf Kalindaga of the United Republic of Tanzania had been appointed Registrar of the Convention and preparations for the second Review Conference of the Code were expected to commence shortly.

(d) In the field of multimodal transport, the secretariat was suggesting the establishment of an intergovernmental group of experts on multimodal transport. The group would assess new developments in multimodal transport and containerization and the impact on trading opportunities. The work would be set in the context of liberalization and privatization policies and involve the potential impact on transport infrastructure and investment requirements.

(e) Document TD/B/CN.4/36 reported on the United Nations/IMO Conference of Plenipotentiaries on a Convention on Maritime Liens and Mortgages and the adoption of the International Convention on Maritime Liens and Mortgages, 1993. This document also reported on the reconvening of the Joint UNCTAD/IMO Intergovernmental Group of Experts in December 1994, to examine the possible

review of the 1952 Convention on the Arrest of Ships. A separate background document entitled "The place of general average in marine insurance today" (UNCTAD/SDD/LEG/1) dealt with general information and statistics concerning the operation of general average. The document put forward proposals for simplification of general average which had emerged from consultations with members of the insurance industry and other relevant international organizations.

(f) In the area of sustainable development, UNCTAD had been requested by IMO to cooperate in the development of a proposal for the creation of a fund to facilitate the construction of waste reception facilities in ports as required by the MARPOL Convention. The aim was to elaborate an economic instrument to provide the finance for these facilities. The question of waste reception facilities would be taken up by the Working Group on ship/port interface in October 1994 and the IMO Council expected an operational proposal to be made in time for the next Council in June 1995. The Standing Committee might wish to comment on this.

(g) The TRAINMAR programme was described in UNCTAD/SDD/TRN/1. The report stated that there were now more than 50 local institutes participating in the programme, organized in 8 regional networks.

(h) Finally, it was reported that the Advance Cargo Information System had been installed in an increasing number of countries, especially in Africa. Further requests for its introduction had been received from countries in both Latin America and Asia. He expressed the deep appreciation of UNCTAD to donors, especially the European Union, the Governments of France and Germany and the World Bank, for their generous financial support for this endeavour.

12. Referring to the document on fostering competitive shipping services (TD/B/CN.4/34), the representative of **Brazil** observed that the report was not intended to promote liberalization but to evaluate it, duly analysing its advantages and disadvantages. Countries needed to be certain of the benefits and costs involved, prior to the adoption of any liberalization process. He felt that the report should have emphasized the policy of maritime subsidies practised by leading maritime countries which claimed to be liberal but, in fact, subsidized their merchant marine. Furthermore, some forms of aid to certain sectors of the economy were aimed at cross-subsidizing other sectors. Any protection given to maritime transport reduced the flow of commerce and, in the long run, might affect users, shipping companies, labour, etc. Protectionism also reduced the shipowner's motivation to become more competitive.

13. Although liberalization, deregulation, and privatization in transportation was a world trend, even in developing countries, he considered that the progressive reduction of protection to maritime activities should be counterbalanced by the creation of operational conditions that enabled shipping companies to become competitive. Shipping companies must be given sufficient time to adapt since it was not possible to analyse the consequences of instant liberalization. He favoured the gradual liberalization of maritime transport within an overall economic policy that encouraged healthy competition and the beneficial aspects of liberalism.

14. Finally, he stressed the need to update the Code of Conduct on Liner Conferences with a view to ensuring a set of international rules on competition in the field of maritime transport. A new international maritime order was now imperative to secure a fairer share of the international shipping market for developing countries.

15. The representative of **Uruguay** said that, from 11 to 13 April 1994, a preparatory meeting to coordinate merchant marine policies in the Latin American region had been held in Montevideo by the Second Ministerial Conference of Ministers of Transport, Communications and Public Works of South America. The following issues had been discussed: (i) guidelines on shipping policy to be followed by each country; (ii) an analysis of the shipping policies adopted by developed countries and their impact on Latin American countries; (iii) regional shipping policies; and (iv) the ALADI draft maritime transport agreement and recommendations for a coordinated Latin American shipping policy.

16. At a more recent Ministerial Meeting held in Caracas (29 June to 1 July 1994) recommendations had been agreed to coordinate the shipping policies of Latin American member States. These were: (i) to continue work on free access to maritime traffic with access to the transport of cargoes; (ii) to develop a common definition and implementation of the principle of reciprocity; (iii) to analyse operative conditions that had an impact on the development of merchant fleets in the region; (iv) to review mechanisms to deal with monopolies and restrictive business practices; and (v) to examine requirements to improve the international competitiveness of the regional merchant fleets. As for the draft European Union legislation on anti-trust immunity for consortia, the Ministerial Meeting had expressed its concern over any possible restrictions or limitations to the access of maritime cargoes.

17. The representative of **Poland** observed that the Standing Committee was the only United Nations forum on shipping policy matters. The reports prepared by the secretariat moreover were valuable and topical. More work was needed in the maritime transport sector that could be related to a sustainable development and thus contribute to the fostering of trade. He felt that the secretariat should monitor changes in national policies, make comparative studies on competitive policies, and focus on financing problems. It would also be useful to arrive at an agreed definition of "fair competition".

18. The representative of the **Russian Federation** said that it was necessary to strengthen the role of UNCTAD in the development of economic cooperation in shipping, especially for developing countries and countries in transition. The reports prepared by the secretariat could render real assistance to the users of international shipping. He considered, however, that these documents did not sufficiently take into account the problems that the countries in transition had to face in the course of their reforms. In this context, the Russian Federation strongly supported the need to observe the equal rights of all countries participating in international shipping on the basis of just and fair competition and non-discrimination.

19. The Russian Federation appreciated the results of the Intergovernmental Group of Experts on Ports and welcomed also the elaboration and opening for signature of the International Convention on Maritime Liens and Mortgages. As

for the activities in multimodal transport, technological development and containerization, he considered that positive work was being carried out by the secretariat, but believed that the Standing Committee, its subsidiary bodies and the secretariat should focus its attention on the modernization of the transport process on the maritime leg of the logistical chain.

20. The spokesman for the **European Union** (Germany) said that the current session offered an opportunity to evaluate the status of the work programme in shipping, ports and multimodal transport and to focus on issues that remained to be covered until UNCTAD IX. Any new item should be avoided if it could not be accomplished within that period. In the light of the Cartagena Commitment and the decisions of the Trade and Development Board, UNCTAD's mandate was to assist developing countries in the field of maritime transport by reviewing shipping policies and experiences leading to more liberalized and more competitive maritime services. This was necessary because shipping was a central element of global transport that contributed to accelerated development and facilitation of international trade. In this process, there was a need for in-depth analysis and objective assessments.

21. He felt that the secretariat's report (TD/B/CN.4/34) only partly achieved the objectives set in the work programme. Attention should be paid to other substantive elements such as a comparative analysis of the shipping sector and related policies in different countries, and the identification and examination of policies aimed at enhancing cooperation in the maritime field. Commenting on the summary and recommendations of the report, he said that the European Union had considerable difficulties with the secretariat's findings regarding a framework to ensure consultations between lines and transport users and the restructuring of shippers' councils. These problems should be left to professional bodies of the industry. He also questioned the secretariat's approach to devising liberalization mechanisms which might duplicate the work of the new World Trade Organization. As for the second Review Conference of the United Nations Convention on a Code of Conduct for Liner Conferences, he considered that these issues were not related to the programme of work of the Committee and should therefore not be discussed at the current session.

22. On the subject of ports, he welcomed the results of the Intergovernmental Group of Experts on Ports and suggested that further consideration be given to the need to convene a meeting of legal experts on ports.

23. Commenting on the secretariat's progress report on the work programme, he focused on four items. First, he considered that the tasks proposed for a Shipping Industries Forum should be undertaken by the Committee itself. Secondly, he felt that serious consideration should be given to the establishment of a new intergovernmental group of experts on multimodal transport. Thirdly, he had strong reservations on any international agreement within UNCTAD for container standards, because other international organizations provided adequate forums to deal with these issues. Fourthly, he expressed some reservations on the creation of a regulatory framework for multimodal transport operators.

24. In conclusion, he congratulated the secretariat for the work undertaken in the field of human resource development and technical assistance, and he expressed the European Union's continued support for this work.

25. The representative of the **Commission of the European Communities**, commenting on the summary and recommendations in TD/B/CN.4/34, said that freedom of choice for shippers was an essential factor for efficient and competitive shipping services. Moreover, the adverse effect on some shipping companies of policy reform proposals was to be expected because previous protectionist government policies had shielded carriers from the realities of open markets. Therefore commercial success in this new liberal environment would depend, inter alia, on quality management, access to capital markets and a service market approach. His suggestions for further action included (i) a report on prevailing ship financing arrangements in meeting the needs of developing countries, to be submitted to the Committee at its third session; (ii) shippers' councils in developing countries should be restructured or created; (iii) existing shippers' councils should become professional as opposed to political organizations; (iv) the Committee was not the appropriate forum for establishing maritime competition policy to complement the liberalization process; and (v) it was particularly questionable whether "general mechanics of liberalization" could be elaborated which would be of sufficient validity and relevance to guide action; the secretariat approach might also duplicate the work of the WTO.

26. With regard to assistance to developing countries for adjusting their institutional infrastructure to meet changing industry and market conditions, he did not believe that the Committee could provide guidance in the absence of specific suggestions. Assistance could be provided, however, upon request under matters relating to technical assistance.

27. Commenting on the conclusions and recommendations of the Intergovernmental Group of Experts on Ports, he considered that: (i) a second session of the Intergovernmental Group could be envisaged in view of the unfinished secretariat work; and (ii) there were serious doubts on the need for a legal expert group on port matters.

28. With regard to the review of activities of the secretariat pertaining to the work programme (TD/B/CN.4/36), he made the following points:

(a) The establishment of a Shipping Industry Forum should be viewed with great reluctance;

(b) A second Review Conference on the United Nations Convention on a Code of Conduct for Liner Conferences was not directly related to the work of the Committee;

(c) The work related to multimodal transport and technological development and containerization conformed generally to the work programme of the Committee, but the need for additional activities was not demonstrated;

(d) The need for an intergovernmental group of experts on multimodal transport was open to question and, in respect of containerization, the monitoring of developments was already sufficient.

29. Finally, he praised the secretariat's work on human resources development and technical cooperation. However, he stressed that technical cooperation activities should emphasize assistance in the identification of weaknesses and capabilities with the objective of making the services sector more competitive.

30. The observer of the **International Maritime Committee** (CMI) said that the CMI International Sub-Committee on the Law of General Average and the York-Antwerp Rules had examined the Rules with a view to making recommendations on the possible need for updating or reviewing the York-Antwerp Rules, 1974 (as amended in 1990). The Rules had systematically been reviewed since they had been established in the late nineteenth century. He said that the trend was towards simplification and it was recognized that any move to expand the general average system would not be welcome.

31. He commended the excellent atmosphere of objective and committed cooperation between CMI, the UNCTAD secretariat, IUMI and AIDE over the past three-and-a-half years following the commencement of work on general average within UNCTAD. The key organizations concerned had given serious attention to identifying critical issues in the matter of general average. This was exemplified by the work of the UNCTAD secretariat as reflected in the report "The place of general average in marine insurance today" (UNCTAD/SDD/LEG/1), which had already been recognized as having provided a major contribution to the debate. He noted that the draft report prepared by the IUMI Working Group on General Average, and indeed all the work on the subject, had been strongly influenced by the UNCTAD secretariat's report, and it was clear that both reports had injected a strong dose of realism into the current review of general average. The debate was continuing and he trusted that the CMI Conference, due to take place in Sydney, Australia, in October 1994, would, by taking account of all the current research and discussion, produce results to further the efficiency and economic viability of maritime trade.

32. The observer of the **International Union of Marine Insurance** (IUMI) said that his organization was pleased to cooperate with the UNCTAD secretariat in its work on general average in marine insurance today. Following contacts with the UNCTAD secretariat, IUMI had established an Ad Hoc Working Group on General Average, whose preliminary report was taken into account in the UNCTAD secretariat report on the subject. In the meantime, the Working Group and all national associations members of IUMI were working on a detailed questionnaire and were currently collecting data for comprehensive statistics on general average. The collected information would be discussed at the next IUMI Conference in September 1994. Therefore, a comprehensive report by IUMI on general average would be available for submission to the third session of the Committee. IUMI attached special importance to the subject because of its considerable future impact on marine insurance. He felt sure that the existing close cooperation with UNCTAD, CMI and other international organizations would benefit the international community.

33. The spokesman for the **Asian Group** (Sri Lanka) said that his Group attached considerable importance to the related problems of policy reform in shipping, ports and multimodal transport. He noted that the secretariat report (TD/B/CN.4/34) cited the experience of a number of Asian countries with policies of liberalization and privatization. The question of port

development was of equal concern to the Asian Group. Government delegations and representatives of major Asian ports had actively participated in the deliberations of the Intergovernmental Group of Experts on Ports and the Asian Group fully endorsed the recommendations made.

34. Regarding the review of the work programme (item 5), he said that the Asian Group was convinced that economic cooperation among developing countries was necessary to ensure the provision of competitive shipping services by developing countries. With regard to the work programme of the Committee, the Group felt that it was no longer necessary to establish the benefits of cooperation in shipping, ports and multimodal transport because the subject had been covered in a number of past intergovernmental and expert group meetings. Thus, the next stage was to translate theoretical benefits of cooperation into economic and political reality.

35. Of all the developing regions, he said that Asia was the one most directly affected by technological and organizational changes in shipping. Major carriers were active on tne east-west trade routes and round-the-world services covering the Far East, South East Asia, South Asia and the Middle East. The services offered by these carriers were a major challenge to Asian shipowners, and the latter had responded variously, either as competitors of or as partners in joint ventures with developed countries' carriers. The Asian Group was keen to promote trade through efficient shipping services and to ensure a fair balance between the interests of the carriers and the shippers.

36. The concept of multimodal transport was gaining increasing importance in the Asian region. While realizing the benefits of the system, the Group was also aware of considerable shortcomings in their national transport sectors and regulatory framework that still impeded optimum development and implementation of door-to-door transport.

37. In the field of training and human resources development, he considered that training was one of the most important tools for ensuring the development of the transport sector and the participation by developing countries therein. New policy developments required new approaches to training and a reconsideration of institutional arrangements and the content of training programmes. Moreover, competitiveness of national shipping services was an objective that could be achieved only with the support of training that involved both the improvement of public education programmes and specific job-related training activities. It was here that the industry, particularly the private sector, was called upon to increase efforts and make available the necessary resources for the implementation of human resource development activities. The training programmes offered by UNCTAD in the context of TRAINMAR and other projects should form an integral part of these activities and be directed to both public and private sector institutions.

38. The spokesman for the **African Group** (Nigeria) said that developing countries had had very limited experience with liberalization and therefore it would be premature to assume that liberalization was a sound policy in all situations. Consequently, he felt that the Committee should not, at this session, make specific recommendations on the mechanics of liberalization. The secretariat should monitor the impact of liberalization and report its

findings to the Committee. He added that liberalization might be contrary to some of the main principles of the United Nations Code of Conduct on Liner Conferences, which should not be undermined by the adoption of liberalization measures. In this connection, shippers' councils varied widely among countries and in some developing countries shippers were constituted by foreign enterprises. In many developing countries, foreign shipping companies already enjoyed free entry and competition through partnerships or joint ventures with local shipping lines.

39. With regard to the question of protectionism, he observed that many developed countries were using various protectionist measures such as shipbuilding subsidies, subsidies for ship operations, or protectionist measures in their external trade. Developing countries in general did not have the capital resources to subsidize their national shipping lines. In some cases, cargo reservation was used as an alternative.

40. In conclusion, he said that developing countries had an interest in developing and maintaining national merchant fleets for national security reasons and for promoting and facilitating foreign trade. The decisions on shipping policy taken in UNCTAD should be taken into account by other bodies such as GATT and the World Bank in order to ensure that the principles of fairness and justice are upheld in the dialogue among equal partners.

41. The representative of **Uruguay** said that the secretariat report TD/B/CN.4/34 was only the starting point of an in-depth analysis of liberalization in shipping, since competitive freight rates and the existence of national merchant marines were also important goals. In particular, he expressed the need to analyse the restructuring of shipping business practices that affected free competition and ran counter to equity. Accordingly, an analysis should be made of the practices and subsidies applied by all countries, irrespective of their levels of development, on an equitable basis and in a transparent political framework.

Action by the Standing Committee

42. At its 9th (closing) meeting, on 15 July 1994, the Standing Committee adopted the draft recommendations, circulated in an informal paper in English only, which the Chairman presented as a result of informal consultations. (For the recommendations as adopted, see annex I below.)

Concluding statements made at the closing plenary meeting

43. The representative of **Cuba** observed that a whole set of factors had recently changed the prevailing scene in the sphere of shipping, such as: structural transformations resulting from the prolonged crisis in this sector, which had been aggravated by a hardening of external conditions; privatization of State-owned fleets; and fiscal adjustment measures. Changes had also been occurring in the international trade in goods and services. The scope of application of the Code of Conduct on Liner Services was becoming increasingly restricted owing to the growing number of non-conference operators on the main routes. There was also a policy trend to abolish cargo reservations. The traditional shipping nations, for their part, were introducing measures to promote and protect their merchant fleets.

44. In the case of Cuba, there had been additional setbacks in the 1990s. Its most important shipping trades had disappeared and there had been a lack of funds for the purchase of merchandise. The recrudescence of the blockade had forced Cuba to carry out a restructuring of the national economy, which naturally included shipping. The structural changes which had been - and were still being - implemented were aimed at achieving the competitiveness and efficiency that would enable Cuba to adapt to the new norms of international trade.

45. The representative of **Argentina** praised the secretariat not only for the documentation it had prepared for the Committee but also for the other - often less known - activities carried out in the field. He referred in particular to the great efforts being made by a TRAINMAR group in the Southern Cone to help overcome a number of problems related to liberalization and the post-privatization use of human resources.

46. The spokesman for the **European Union** (Germany) recalled that, in accordance with the Cartagena Commitment, the Committee was expected to complete its work programme by UNCTAD IX. This meant that, for all items of that programme, decisions had to be made and proposals or recommendations elaborated to enable the Conference to assess outstanding problems and the progress achieved in the shipping sector. Decisions about the future of the Committee's work could be influenced in a positive way only if the Committee was able to give clear evidence that its endeavours were promising and that the organizational structure for this work was adequate. It was for these reasons that the European Union was concerned about the progress made so far. During the second session, the Committee had had only two days for substantive discussions. On the basis of the documentation provided by the secretariat, the Committee had addressed in some depth the consequences of progressive liberalization and the results of the first session of the Intergovernmental Group of Experts on Ports. Discussions on shipping legislation and on multimodal transport had been less intensive and a considerable number of items of the work programme had not been discussed at all. The European Union felt that the Committee needed to speed up. The experience gained at the current session showed that it would be decisive for success that the Committee devote more of its time to substantive discussions rather than having to concentrate on decisions too early. An intensified dialogue would facilitate considerably the Committee's ability to arrive at consensus on texts and thus save time. It was for this reason that the European Union had strongly advocated concentration on the existing programme of work and had resisted any extension of it. On the other hand, the European Union felt itself firmly committed to this programme of work and would make every endeavour to contribute to its completion as constructively as possible.

47. Having said this, he considered that the results of this session could still be qualified as positive. The recommendations on the dissemination of information, on fostering competitive maritime shipping services and especially on shipping policy and port aspects would guide the Secretary-General of UNCTAD as well as member Governments when they addressed related questions. The European Union looked forward to receiving the reports and studies to be prepared by the secretariat and urged the

secretariat to make the best possible use of its excellent contacts with the maritime industry. The European Union was ready to support the secretariat in its endeavours.

48. The spokesman for the **African Group** (Nigeria) said that the Committee had, at its second session, debated issues of great importance to the African Group. Having already in its opening statement expressed the view that it was premature to make recommendations on liberalization policy, the African Group was glad to see that the Committee had recommended that this matter be monitored and further reported on by the secretariat. He was confident that, at its third session, the Committee would have before it more information on experiences with, and the impact of, liberalization. His Group also appreciated the fact that the Committee had agreed to the convening of a second session of the Intergovernmental Group of Experts on Ports. He believed that this type of meeting would promote greater contacts and exchange of views which would in turn facilitate port efficiency.

49. With regard to maritime legislation, he reiterated the importance which the African Group attached to these activities and urged the secretariat to continue its good work.

50. He stated that the decision to place multimodal transport on the provisional agenda for the third session of the Committee was very important to the African Group. UNCTAD was the main source of information on developments in multimodal transport for the members of his Group.

51. Finally, he said that his Group was most gratified to see the prevailing consensus on human resources development and technical cooperation. At its third session, the Committee would have an opportunity to take decisions that would improve still further the training and technical cooperation activities of the secretariat.

52. The spokeswoman for the **Latin American and Caribbean Group** (Trinidad and Tobago) expressed her Group's satisfaction at the successful outcome of the Committee. She thanked the secretariat for the excellent documentation prepared for the Committee and observed that the subject of shipping was of vital importance to all members of the international community.

53. The representative of **Israel** expressed his satisfaction with the recommendations adopted by the Standing Committee, especially subparagraphs 4 (a) to 4 (d) and paragraph 10. He believed that the studies planned, as well as those which were already in active application, validated the view he had expressed in the informal meeting that the Committee was indeed dealing with work that was elaborate, substantive, systematic and scientific, the results of which would probably be to the operational benefit of all countries, in particular the developing countries and countries in transition. Reviewing the text of the recommendations as a whole, he felt that, if the activities planned for the secretariat were realized, the Committee would have taken a further step towards better understanding and knowledge, and hence better world shipping services in the future, including in the areas of ports and multimodal transport.

54. The representative of the **Russian Federation** said that the spirit of compromise shown on all sides had enabled the Committee to steer clear of the hidden reefs. The outcome of the second session was generally satisfactory and the work programme met the interests of his country. He supported, moreover, those delegations and regional spokesmen who had called for a proper emphasis to be placed on the issue of liberalization of shipping services. It was equally important to study this issue from the point of view of its effects on the countries in transition. He was also glad to see that the question of the competitiveness of multimodal transport services would be taken up at the third session of the Committee. In general, he agreed with the spokesman for the European Union that there was a need to step up the pace of the secretariat's activities. Deregulation and liberalization were now a fact of life in the shipping industry and it was important for UNCTAD to give adequate attention to such measures.

55. The representative of **China** said that the Committee had achieved very good results, working on the basis of the documents prepared by the secretariat. She was pleased to see that the Committee had agreed on the recommendations that would be forwarded to the Trade and Development Board, as well as on the provisional agenda for the third session. All the measures adopted would contribute to the development of the shipping services of the developing and other countries.

56. Finally, she expressed her delegation's regret that the Chinese version of the draft report of the Committee was not available in the meeting room at the same time as the other versions, and she called on the secretariat to try to ensure that this did not occur in future.

57. The **Deputy-Director of the Services Development and Trade Efficiency Division**, speaking on behalf of the Officer-in-charge of UNCTAD, observed that the Standing Committee's deliberations had been characterized by professional attitudes and flexibility in both procedural matters and substantive discussions, which had contributed to ensuring a positive session. The complementary objectives of the second session had been the assessment of the major issues that required the attention of the Committee and to obtain guidance for the work programme leading up to the third session of the Standing Committee. The evaluation of the current situation in the maritime sector reflected changes in both maritime technology and policy areas. The significant new policy trends observed in many countries indicated that progressive liberalization and maritime policy reforms had created a dynamic commercial environment. The impact of these conditions had now been considered by the Committee and the basis had been laid for future work of the Committee in the field of shipping, ports, multimodal transport, maritime and transport legislation, human resources and technical cooperation. The deliberations in the Committee had resulted in nine main recommendations. In meeting these recommendations, he assured the Committee that the secretariat would prepare timely and objective reports within the resources and information available.

Chapter II

OTHER BUSINESS
(Agenda item 7)

Technical cooperation activities in the shipping sector

58. The representative of **Canada** said that his delegation applauded the recommendation made at this session - a recommendation fully endorsed by the secretariat - that steps be taken to ensure the enhanced dissemination of information. One element of this information had a focus on training programmes, educational and reference materials, and the technical assistance offered by the secretariat. It was the view of his delegation that UNCTAD training programmes and technical assistance could provide a highly valuable, practical and pragmatic service for member countries. He congratulated the secretariat on its efforts in these areas. In order to highlight this work, to provide a brief summary statement in the report on this session, and to remind member States of the possible services available, he invited the secretariat to inform the Committee, in general terms, of the training and technical assistance which had been provided since the first session of the Committee. The secretariat might wish to describe the extent and percentage of the regular budget devoted to these activities, and to reflect on the extent of extra-budgetary resources available for them. This information could be set out in more detail in the semi-annual reports which the secretariat would be submitting to the Committee.

59. Responding to the question raised by the representative of Canada, the **Deputy Director of the Services Development and Trade Efficiency Division** said that it was difficult to give exact figures in relation to the technical cooperation activities, since as from 1 March 1994 the former Shipping Division had been merged into a new Division comprising services, insurance, shipping and trade efficiency. The central budget, which made a distinction between regular and extra-budgetary funds, was administered by the Administrative Service rather than by the substantive Divisions, which measured technical cooperation activities rather in terms of man-months and available working capacity. To give an idea of the extent of these activities, he said that in the field of shipping and related activities the Division had executed 32 projects in 1992 and 34 projects in 1994. While the cost of individual projects varied greatly, the fact that the 34 projects had been executed by 18 professional staff members did give an idea of how much working capacity each professional was devoting to technical assistance. In addition, there were a further 5 professionals paid for out of extra-budgetary funds, making a total staff of 23. Regarding the financing of the projects, he said that the overall cost of the 34 projects carried out in 1993 had been $3 million; in 1992, the corresponding total cost had been only $2 million.

60. He recalled that UNCTAD had recently restructured its relations with the donor community. UNDP was no longer the main donor. Currently the main donors were the European Union, the World Bank, bilateral donors and, to a lesser extent, the national aid agencies. Thus the style of financing for technical assistance had completely changed or was in the process of changing. But in general, a simple calculation would show that the amount of staff time or capacity devoted to technical assistance was in the range of some 30 to 40 per cent.

Chapter III

ORGANIZATIONAL MATTERS

A. Opening of the session

61. The second session of the Standing Committee on Developing Services Sectors (Shipping) was opened on 11 July 1994 by Mr. Carlos Fortin, Officer-in-Charge of UNCTAD.

B. Election of officers
(Agenda item 1)

62. In accordance with the rules of procedure of the main Committees of the Trade and Development Board and the decision taken by the Board at the first part of its thirty-ninth session, the Standing Committee on Developing Services Sectors (Shipping), at its 5th (opening) meeting on 11 July 1994 and 7th meeting on 12 July 1994, elected the officers to serve on the Bureau of the second session as follows:

Chairman:	Mr. M. Meynet	(France)
Vice-Chairman:	Mr. J. Youmba	(Cameroon)
	Mr. V. Tysyachnikov	(Russian Federation)
	Mr. C. Chaimankong	(Thailand)
	Mr. H. Sismanyazici	(Turkey)
	Mr. U. Perez-Fuentes	(Uruguay)
Rapporteur:	Mr. H. Aschentrupp	(Mexico)

C. Adoption of the agenda and organization of work
(Agenda item 2)

63. Also at its opening meeting, the Standing Committee adopted the provisional agenda circulated in TD/B/CN.4/33 and endorsed the suggestions therein for the organization of work. The agenda for the second session therefore read as follows:

1. Election of officers

2. Adoption of the agenda and organization of work

3. Fostering competitive shipping services (Impact of progressive liberalization on the development of shipping services)

4. Reports of any subsidiary bodies which may have been created

5. Review of activities of the secretariat pertaining to the work programme

6. Provisional agenda for the third session of the Standing Committee (Shipping)

7. Other business

8. Adoption of the report of the Standing Committee (Shipping) to the Trade and Development Board.

D. Provisional agenda for the third session of the Standing Committee (Shipping)
(Agenda item 6)

64. At its 9th (closing) meeting, on 15 July 1994, the Standing Committee considered the draft provisional agenda for its third session, as circulated by the secretariat in English only.

65. The spokesman for the **African Group** (Nigeria) said that his Group was prepared to approve the draft provisional agenda for the third session on the understanding that the subject of liberalization of shipping services of developing countries and its impact would receive in-depth consideration even though it would not be one of the two substantive agenda items. In the view of his Group, liberalization and reform in general were currently one of the most important policy issues of concern to developing countries. Future developments in the maritime field and the prospects of developing countries' participation would be greatly influenced by the policies adopted. Although liberalization had been a substantive item at the current session of the Committee, the limited experience gained had not made it possible to cover this issue conclusively. In the recommendations adopted at this session, the Committee had requested the secretariat to monitor and report on a number of important issues related to liberalization. It was therefore logical that, at its third session, the Committee should devote attention to this subject. While the members of his Group attached great importance to the two substantive items on the provisional agenda for the third session, it would be their intention to engage also in substantive debate on liberalization and to make recommendations thereon as appropriate.

66. The spokesman for the **European Union** (Germany) said that, in view of the special importance of the third session of the Committee, he wished to specify the position of the European Union on item 3 of the provisional agenda. The European Union was of the view that, under this item, aspects of multimodal transport could be discussed only if they had relevance for the fostering of competitive maritime transport services in the view of all parties concerned. The discussion of any other aspect of this transport mode would not be covered by the programme of work, and would meet with continued resistance on the part of the European Union as it would lead to a waste of resources and time. He hoped that the review of the Committee's work which would be undertaken at its third session would lead to the conclusion that all areas of the work programme had been covered, although the European Union recognized that the diverse items might vary in importance or interest to different delegations.

67. The representatives of **Argentina**, **Brazil**, **Sri Lanka** and **Uruguay** expressed their support for the statement of position just made by the spokesman for the African Group concerning the work of the third session of the Committee.

Action by the Standing Committee

68. At the same meeting the Standing Committee, having noted the above statements, approved the draft provisional agenda for its third session as circulated by the secretariat. (For the provisional agenda, see annex II below.)

E. Adoption of the report of the Standing Committee (Shipping) to the Trade and Development Board

(Agenda item 8)

69. Also at its closing meeting, the Standing Committee adopted the draft report on its second session (TD/B/CN.4/L.11), with a number of minor amendments, and authorized the Rapporteur to complete the final report to reflect the proceedings of the closing plenary meeting.

ANNEXES

Annex I

RECOMMENDATIONS OF THE STANDING COMMITTEE ON DEVELOPING SERVICES SECTORS: SHIPPING

1. After fruitful discussion and a wide exchange of experience, the Standing Committee expresses its appreciation for the documentation presented by the UNCTAD secretariat in pursuance of the work programme of the Committee. In accordance with its work programme, the Standing Committee agrees on the following:

A. Dissemination of information for promoting transparency

2. Recognizing that access to information is a vital element for the development of competitive maritime transport services, the Standing Committee requests the UNCTAD secretariat, within existing resources, to arrange for enhanced accessing and dissemination of information on the secretariat's studies, workshops, seminars, training programmes and data collection. The arrangement should include:

(a) The preparation of a document presenting a semi-annual review of the activities of the secretariat pertaining to the work programme. In particular, the semi-annual review should provide a schedule of future workshops, training programmes, meetings and other events, as well as identify points of contact for further information;

(b) Expediting the flow of information through such means as facsimile or electronic bulletin boards, as may be appropriate.

B. Fostering competitive maritime transport services

3. Taking due consideration of the outcome of its proceedings, the Standing Committee requests the secretariat to complete its programme of work decided on 6 November 1992 at the first session of the Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries: SHIPPING, as set out in annex I of TD/B/CN.4/13.

C. Shipping

4. The Standing Committee requests the secretariat to complete its work, and in particular:

(a) To undertake a comparative analysis of the shipping sector and related policies in different countries with a view to determining factors contributing to or impeding the development of national shipping industries, including the participation by the private sectors and/or commercialization programmes to increase market orientation and to facilitate provision of competitive shipping services. In doing so, the general economic and social environment in the countries concerned is to be borne in mind;

(b) To monitor and report on changes in national practices covering shipper/ocean carrier relations and changes in shipper requirements regarding the quality and conditions of shipping and port services, taking account of the experiences of shippers' councils in various countries;

(c) To study prevailing ship financing arrangements and consider their adequacy in meeting the requirements of developing countries and countries in transition in this respect;

(d) To study and recommend measures to enhance the participation of developing countries in the provision of competitive shipping services.

5. The Standing Committee, after extensive discussion of progressive liberalization measures and their impact on the development of competitive shipping services, recognizes the wide diversity of interest and levels of development among countries suppliers and/or users of shipping services. Given the diversity and the limited experience that has been accumulated so far on the formulation and implementation of progressive liberalization and its impact particularly on developing countries and countries in transition, the Committee requests the secretariat to continue monitoring and reporting on:

(a) Progressive liberalization and associated measures aimed at fostering fair and competitive shipping services;

(b) The results experienced and problems of countries which have liberalized their shipping services;

(c) Measures which countries have adopted, or might consider adopting, to correct problems arising from progressive liberalization;

(d) Prior and/or accompanying measures which might be considered by countries willing to implement progressive liberalization.

6. The liberalization process should take into account the obligations incurred by Contracting Parties to the Code of Conduct for Liner Conferences.

7. The Committee recognizes the need for measures to be taken at the commercial level, in particular cost-reducing measures and measures to improve service quality, to promote competitiveness of developing countries' shipping services to better serve their trade.

D. Ports

8. In the field of ports, the Standing Committee takes note with appreciation of the report of the Intergovernmental Group of Experts on Ports convened in October 1993 and recommends to member Governments to take them into consideration when undertaking related activities. The general recommendations are worth considering by all ports, particularly those located in developing countries and countries in transition, to promote port efficiency. In this respect, the Standing Committee believes that the Group

has made an important contribution to the implementation of the approved work programme and that ports play a key role in the logistics chain and thus can foster trade and development.

9. Concerning the specific issue of environment protection, the Standing Committee supports the activities undertaken by the secretariat in the framework of the existing work programme. It is pleased to learn of the cooperation developed between UNCTAD and the International Maritime Organization (IMO) for the creation of a financial mechanism for the financing of port reception facilities for waste from ships.

10. Concerning the recommendation for the preparation of studies, priority has to be given to the completion of studies already listed in the work programme. Additional studies, or monographs, produced at no cost to the UNCTAD secretariat by the international associations or experts dealing with ports, and published by UNCTAD, should focus on elements of the work programme for which UNCTAD secretariat resources are not available. The Standing Committee supports the recommendations of the Intergovernmental Group of Experts on Ports for wider dissemination to port authorities of the UNCTAD Ports Newsletter.

11. A second session of the Intergovernmental Group of Experts on Ports should be convened by the secretariat in early 1996 to assess the progress made by implementing the work programme, to review any new or outstanding issues in the fields of port efficiency, modernization and development, and to make recommendations to the Committee.

E. Maritime legislation

12. In the field of maritime legislation, the Standing Committee requests the secretariat to complete the outstanding issues in its work programme.

13. The Standing Committee notes with satisfaction the adoption of the International Convention on Maritime Liens and Mortgages, 1993, by the United Nations/IMO Conference of Plenipotentiaries and invites Governments to consider becoming parties to the Convention.

14. The Standing Committee requests the secretariat to inform the Committee, wherever appropriate, about developments taking place concerning general average within the relevant international organizations and industry, including the International Maritime Committee (CMI) and the International Union of Marine Insurance (IUMI).

F. Multimodal transport

15. The Standing Committee recognizes the urgent requirement to accelerate efforts to increase knowledge of multimodal transport in the developing countries, and requests the secretariat to:

(a) Enhance training programmes on multimodal transport within existing resources; and

(b) Seek guidance from practitioners to finalize a reference document (MT Handbook) for officials and the transport community, setting out the basic concepts of multimodal transport, problems and pitfalls, possible solutions and the major issues to be tackled by the private and public sectors in the process of developing multimodal transport.

G. Human resource development and technical cooperation

16. The Standing Committee agrees that the UNCTAD secretariat should continue to conduct activities with respect to human resource development and training as defined in its work programme and, in particular, ensure the coordination of the TRAINMAR programme and develop initiatives to strengthen the capacity of TRAINMAR centres; in particular, those developing countries and countries in transition which do not yet benefit from TRAINMAR should be given particular attention.

17. The Committee takes due account of the recent meeting of the TRAINMAR Advisory Group, at which recommendations were made for the future development of TRAINMAR, in particular that, within existing resources, highest priority should be given to the Central Support Team so that it can provide, on a continuing basis, the level of pedagogic support essential for TRAINMAR to fulfil its potential.

18. The Standing Committee requests the secretariat to continue to develop and to deliver management training programmes and workshops and to organize, within available resources, a TRAINMAR Advisory Group Meeting every two years.

19. The Standing Committee notes the progress already made in the development and implementation of the Advance Cargo Information System (ACIS) and urges the secretariat to consider possibilities of extending its application to countries which so request.

20. Finally, the Standing Committee commends the work undertaken by the secretariat in the field of technical cooperation and, in particular, the Committee congratulates the secretariat for the initiative taken in cooperation with UNDP and WFP for the rehabilitation of the ports of Somalia.

Annex II

PROVISIONAL AGENDA FOR THE THIRD SESSION OF THE STANDING COMMITTEE ON DEVELOPING SERVICES SECTORS: SHIPPING*

1. Election of officers
2. Adoption of the agenda and organization of work
3. Fostering competitive multimodal transport services
4. Strengthening technical cooperation and human resource development
5. Review of progress made on the work programme
6. Other business
7. Adoption of the report of the Standing Committee, Shipping, to the Trade and Development Board.

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* As approved by the Standing Committee at its 9th (closing) meeting. For the action and statements on the provisional agenda for the third session, see chapter III, section D, above.

Annex III

MEMBERSHIP AND ATTENDANCE*

1. The following States members of UNCTAD were represented at the session:

Algeria
Argentina
Australia
Austria
Bangladesh
Belgium
Bolivia
Brazil
Cameroon
Canada
China
Colombia
Côte d'Ivoire
Cuba
Denmark
Ecuador
Egypt
Finland
France
Gabon
Germany
Greece
India
Indonesia
Iraq
Israel
Italy
Jamaica
Japan
Liberia
Libyan Arab Jamahiriya
Madagascar
Mexico
Morocco
Nepal
Myanmar
Netherlands
Nigeria
Norway
Pakistan
Paraguay
Peru
Philippines
Poland
Republic of Korea
Romania
Russian Federation
Spain
Sri Lanka
Sweden
Switzerland
Thailand
Trinidad and Tobago
Tunisia
Turkey
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
United States of America
Uruguay
Venezuela
Zambia

2. The following other States members of UNCTAD were represented as observers at the session:

Benin
Brunei Darussalam
Congo
Dominica
Panama
Portugal

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* For the list of participants, see TD/B/CN.4/INF.6.

3. The following specialized and related agencies were represented at the session:

International Labour Organisation
International Monetary Fund

The General Agreement on Tariffs and Trade was also represented.

4. The following intergovernmental organizations were represented at the session:

Board of the Cartagena Agreement
European Community
League of Arab States
Organisation for Economic Co-operation and Development
Organization of African Unity

5. The following non-governmental organizations were represented at the session:

General Category

International Chamber of Commerce
International Union of Marine Insurance
World Federation of United Nations Associations

Special Category

Council of European and Japanese National Shipowners' Associations
International Association of Dry Cargo Shipowners
International Maritime Committee

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Printed at United Nations, Geneva
GE.94-53331 – September 1994 – 3,430

United Nations publication